

SEYMOUR COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2012

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SEYMOUR COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Brent Brown	President	2015
Dan Furlin, Jr.	Board Member	2013
Tracy McMurray	Board Member	2013
Justin Keller	Board Member	2015
Jim Sandy	Board Member	2015
School Officials		
David Lockridge	Superintendent	Indefinite
Mollie Banks	District Secretary/Treasurer and Business Manager	Indefinite

STEPHANIE MENDENHALL CPA, P.C.
217 Broad Street
Humeston, Iowa 50123
641/877-6021

Independent Auditor's Report

To the Board of Education of
Seymour Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Seymour Community School District, Seymour, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Seymour Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 19, 2012 on my consideration of Seymour Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and pages 34 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basis financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Seymour Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Seymour Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,732,908 in fiscal 2011 to \$2,760,147 in fiscal 2012, while General Fund expenditures decreased from \$2,417,437 in fiscal 2011 to \$2,354,533 in fiscal 2012. The District's General Fund balance increased from \$282,885 in fiscal 2011 to \$688,499 in fiscal 2012.
- The increase in General Fund revenues was attributable to an increase in property taxes and State aid in fiscal 2012. These increases offset the decrease in federal aid. There was a decrease in General fund expenditures in many areas for 2012. The District no longer pays family health insurance premiums, but now pays only for a single health insurance premium. The warmest winter in Iowa history resulted in greatly reduced utility costs and transportation costs.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Seymour Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Seymour Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Seymour Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental Funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

- 3) *Fiduciary fund:* The District is the trustee, or fiduciary, for assets that belong to others. The fund includes the Private-Purpose Trust.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-1
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 2,728	2,544	34	27	2,762	2,571	7.43%
Capital assets	979	997	12	12	991	1,009	-1.78%
Total assets	3,707	3,541	46	39	3,753	3,580	4.83%
Long-term liabilities	117	32	-	-	117	32	265.63%
Other liabilities	1,455	1,696	8	8	1,463	1,704	-14.14%
Total liabilities	1,572	1,728	8	8	1,580	1,736	-8.99%
Net assets:							
Invested in capital assets, net of related debt	902	997	12	12	914	1,009	-9.42%
Restricted	643	618	-	-	643	618	4.05%
Unrestricted	590	198	26	19	616	217	383.12%
Total net assets	2,135	1,813	38	31	2,173	1,844	17.84%

The District's combined net assets increased by nearly 18% or approximately \$329,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$25,000 or 4%, over the prior year. The increase was primarily categorical funding.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$392,000. This increase in unrestricted net assets was primarily a result of an increase in property taxes and state aid during the current year and an emphasis to maintain or reduce spending.

Figure A-2 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-2 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$ 196	123	45	48	241	171	40.94%
Operating grants, contributions and restricted interest	453	620	89	77	542	697	-22.24%
Capital grants, contributions and restricted interest		-	-	-	-	-	-
General revenues:							
Property tax	1,348	1,270	-	-	1,348	1,270	6.14%
Income surtax	73	71	-	-	73	71	2.82%
Local option sales and service tax	173	161	-	-	173	161	7.45%
Unrestricted intermediate grants	8	4	-	-	8	4	-
Unrestricted state grants	844	751	-	-	844	751	12.38%
Unrestricted investment earnings	21	16	1	-	22	16	37.50%
Other	109	65			109	65	67.69%
Total revenues	3,225	3,081	135	125	3,360	3,206	4.80%
Program expenses:							
Governmental activities:							
Instruction	1,761	1,711	-	-	1,761	1,711	2.92%
Support services	921	879	-	-	921	879	4.78%
Non-instructional programs	-	-	128	120	128	120	6.67%
Other expenses	221	143	-	-	221	143	54.55%
Total expenses	2,903	2,733	128	120	3,031	2,853	6.24%
Increase (decrease) in net assets	322	348	7	5	329	353	(0.07)
Net assets beginning of year, as related	1,813	1,465	31	26	1,844	1,491	23.68%
Net assets end of year	2,135	1,813	38	31	2,173	1,844	17.84%

In fiscal 2012, property tax and unrestricted state grants account for 68% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$3.36 million of which, \$3.225 million was for governmental activities and \$135,000 was for business type activities

As shown in Figure A-2, the District as a whole experienced a 4.8% increase in revenues and a 6.24% increase in expenses. Property taxes increased \$78,000 and unrestricted state aid increased \$93,000. Expenditures increased primarily in Capital Projects Fund for improvements to facilities and purchase of technology equipment.

Governmental Activities

Revenues for governmental activities were \$3,226,160 and expenses were \$2,903,579 for the year ended June 30, 2012. The District was able to balance the budget because of an increase in property taxes and state aid and a continued emphasis to reduce or maintain spending.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	Change			Change		
	2012	2011	2011-2012	2012	2011	2011-2012
Instruction	\$1,761	1,711	2.92%	1,124	1,100	2.18%
Support services	922	879	4.89%	909	856	6.19%
Non-instruction	-	-	-	-	-	-
Other expenses	221	143	54.55%	221	34	550.00%
Total	2,904	2,733	6.26%	2,254	1,990	13.27%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$196,454.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$453,360.
- The net cost of governmental activities was financed with \$1,594,570 in property and other taxes and \$851,562 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$134,230, representing a 6.8% increase over the prior year, while expenses totaled \$127,913 a 6.3% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, more students participated in the free/reduced price meal program and meal prices increased. Compliance with new federal meal serving guidelines has increased food costs.

INDIVIDUAL FUND ANALYSIS

As previously noted, Seymour Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balances of \$1,284,595, above last year's ending fund balances of \$848,366.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of increased property taxes and state aid and ongoing emphasis to reduce or maintain spending in every area.
- The Capital Projects Fund balance increased from \$372,969 in fiscal 2011 to \$396,845 in fiscal 2012. The district collected \$11,000 more in local option sales tax in fiscal 2012 than in fiscal 2011. The final bond payment was fiscal year 2011. The District had available monies to pay for \$123,000 of facility improvements and \$47,000 of technology equipment.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$31,296 at June 30, 2011 to \$37,613 at June 30, 2012, representing an increase of approximately 20%. The District had increased participation in the free and reduced price meal program.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$10,288 more than total budgeted revenues, a variance of .3%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. For fiscal 2012 there was a continued emphasis to reduce or maintain spending in every area.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested approximately \$.98 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 2% from last year. More detailed information about the District's capital assets presented in Note 4 to the financial statements. Depreciation expense for the year was \$107,358.

The original cost of the District's capital assets was approximately \$2.60 million. Governmental funds account for approximately 2.57 million, with the remainder of approximately \$.03 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 3	3	-	-	3	3	0.00%
Buildings	791	836	-	-	791	836	-5.38%
Furniture and equipment	186	158	12	12	198	170	16.47%
Total	980	997	12	12	992	1,009	-1.68%

Long-Term Debt

At June 30, 2012, the District had outstanding a \$74,644 capital lease. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-5
Outstanding Long-Term Obligations
(expressed in thousands)

<u>Total</u> <u>District</u> <u>June 30,</u>		<u>Total</u> <u>Change</u> <u>June 30,</u> <u>2011-2012</u>
2012	2011	
Capital lease	\$74,644 \$ -	100%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District property tax rate decreased from 15.70 in fiscal 2012 to 13.57 in fiscal year 2013 due to the District's inability to continue to levy cash reserve at the current rate. This will result in a decrease in property tax receipts for fiscal 2013 of \$215,000.
- The District has experienced declining enrollment for the past several years but enrollment for the 2011-2012 school year stabilized with a slight increase. As a result, the District will receive an increase in state aid revenues of \$50,000. The District will also add a certified staff member to accommodate an increase in pre-kindergarten students for fiscal 2013 at an expected cost of \$52,000.
- The District continues to operate on a year-to year collective agreement with the Seymour Education Teachers' Association. Recent negotiated settlements resulted in a 2.79 percentage increase for certified staff, as well as non-certified staff. The expected cost increase is \$48,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mollie Banks, District Secretary/Treasurer and Business Manager, Seymour Community School District, Seymour, Iowa 52590.

Basic Financial Statements

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,330,870	33,153	1,364,023
Receivables:			
Property tax:			
Delinquent	26,341	-	26,341
Succeeding year	1,146,094	-	1,146,094
Income tax succeeding year	70,984	-	70,984
Accounts	4,353	-	4,353
Due from other governments	149,060	-	149,060
Inventories	-	921	921
Capital assets, net of accumulated depreciation	979,615	11,977	991,592
Total assets	3,707,317	46,051	3,753,368
Liabilities			
Accounts payable	8,653	-	8,653
Salaries and benefits payable	217,376	8,438	225,814
Accrued interest payable	2,735	-	2,735
Deferred revenue:			
Other	-	-	-
Succeeding year property tax	1,146,094	-	1,146,094
Succeeding year income surtax	70,984	-	70,984
Long-term liabilities:			
Portion due within one year:			
Capital lease	9,246	-	9,246
Portion due after one year:			
Capital lease	65,398	-	65,398
Net OPEB liability	51,589	-	51,589
Total liabilities	1,572,075	8,438	1,580,513
Net assets			
Invested in capital assets, net of related debt	902,236	11,977	914,213
Restricted for:			
Categorical funding	46,743	-	46,743
Management levy	131,463	-	131,463
Student activities	67,788	-	67,788
School infrastructure	382,277	-	382,277
Physical plant and equipment	14,568	-	14,568
Unrestricted	590,167	25,636	615,803
Total net assets	\$ 2,135,242	37,613	2,172,855

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

		Program Revenues			
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs	Expenses	Charges for Service			
Governmental activities:					
Instruction:					
Regular instruction	\$ 1,319,567	68,668	331,743		-
Special instruction	216,949	14,914	16,786		-
Other instruction	224,036	99,947	10,055		-
	1,760,552	183,529	358,584		-
Support Service:					
Student	60,946	-	-		-
Instructional staff	86,029	-	-		-
Administration	272,237	-	-		-
Operation and maintenance of plant	215,055	-	-		-
Transportation	287,250	12,925	-		-
	921,517	12,925	-		-
Non-instructional programs	250	-	-		-
Other expenditures:					
Facilities acquisition	123,749	-	-		-
Long-term debt interest	2,735		-		-
AEA flow through	94,776	-	94,776		-
	221,260	-	94,776		-
Total governmental activities	2,903,579	196,454	453,360		-
Business type activities:					
Non-instructional programs:					
Food service operations	127,913	45,277	88,418		-
	127,913	45,277	88,418		-
Total	\$ 3,031,492	241,731	541,778		-

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental</u>	<u>Business type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
(919,156)	-	(919,156)
(185,249)	-	(185,249)
(114,034)	-	(114,034)
(1,218,439)	-	(1,218,439)
(60,946)	-	(60,946)
(86,029)	-	(86,029)
(272,237)	-	(272,237)
(215,055)	-	(215,055)
(274,325)	-	(274,325)
(908,592)	-	(908,592)
(250)		(250)
(123,749)	-	(123,749)
(2,735)	-	(2,735)
-	-	-
(126,484)	-	(126,484)
(2,253,765)	-	(2,253,765)
-	5,782	5,782
	5,782	5,782
(2,253,765)	5,782	(2,247,983)

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Continued from previous page

General Revenues:

Property tax levied for:
 General purposes

Income surtax

Local option sales and services tax

Unrestricted intermediate grants

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

	Program Revenues		
	Operating	Grants,	Capital Grants,
	Charges for	Contributions	Contributions
Expenses	Service	and Restricted	and Restricted
		Interest	Interest

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See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business type Activities	Total
1,348,557	-	1,348,557
73,219	-	73,219
172,794	-	172,794
7,821	-	7,821
843,741	-	843,741
21,439	535	21,974
108,775	-	108,775
2,576,346	535	2,576,881
322,581	6,317	328,898
1,812,661	31,296	1,843,957
2,135,242	37,613	2,172,855

SEYMOUR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 800,409	-	336,741	193,720	1,330,870
Receivables:					
Property tax:					
Current year delinquent	24,607	-	556	1,178	26,341
Succeeding year	1,043,223	-	27,871	75,000	1,146,094
Income tax succeeding year	70,984	-	-	-	70,984
Accounts	-	-	-	4,353	4,353
Due from other governments	88,718	-	60,342	-	149,060
Total assets	<u>2,027,941</u>	<u>-</u>	<u>425,510</u>	<u>274,251</u>	<u>2,727,702</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	7,859	-	794	-	8,653
Salaries and benefits payable	217,376	-	-	-	217,376
Deferred revenue:					
Succeeding year property tax	1,043,223	-	27,871	75,000	1,146,094
Succeeding year income surtax	70,984	-	-	-	70,984
Total liabilities	<u>1,339,442</u>	<u>-</u>	<u>28,665</u>	<u>75,000</u>	<u>1,443,107</u>
Fund balances:					
Restricted for:					
Categorical funding	46,743	-	-	-	46,743
Management levy	-	-	-	131,463	131,463
Student activities	-	-	-	67,788	67,788
School infrastructure	-	-	382,277	-	382,277
PPEL	-	-	14,568	-	14,568
Unassigned	\$ 641,756	-	-	-	641,756
Total fund balances	<u>688,499</u>	<u>-</u>	<u>396,845</u>	<u>199,251</u>	<u>1,284,595</u>
Total liabilities and fund balances	<u>\$ 2,027,941</u>	<u>-</u>	<u>425,510</u>	<u>274,251</u>	<u>2,727,702</u>

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total fund balances of governmental funds (pg. 16)	\$1,284,595
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	979,615
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Long-term liabilities, including bonds payable and other postretirement benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(128,968)</u>
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Net assets of governmental activities (pg. 10)	<u><u>\$ 2,135,242</u></u>
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See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Net
Revenues:				
Local sources:				
Local tax	\$ 1,333,083	-	201,220	
Tuition	76,305	-	-	
Other	40,850	-	6,813	
Intermediate	7,821	-	-	
State sources	1,132,965	-	-	
Federal sources	164,136	-	-	
Total revenues	2,755,160	-	208,033	
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,158,255	-	47,678	
Special instruction	216,949	-	-	
Other instruction	224,036	-	-	
	1,599,240	-	47,678	
Support services:				
Student	60,946	-	-	
Instructional staff	86,029	-	-	
Administration	202,395	-	-	
Operation and maintenance of plant	162,755	-	500	
Transportation	148,142	-	86,874	
	660,267	-	87,374	
Non-instructional programs	250	-	-	
Other expenditures:				
Facilities acquisition	-	-	123,749	
Long-term debt:				
Principal	-	12,230	-	
Interest and fiscal charges	-	-	-	
AEA flowthrough	94,776	-	-	
	94,776	12,230	123,749	
Total expenditures	2,354,533	12,230	258,801	
Excess (deficiency) of revenues over (under) expenditures	400,627	(12,230)	(50,768)	
Other financing sources:				
Sale of equipment	4,987	-	-	
Capital lease issued	-	-	86,874	
Operating transfers in	-	12,230	-	
Operating transfers out	-	-	(12,230)	
Total other financing sources	4,987	12,230	74,644	
Net change in fund balances	405,614	-	23,876	
Fund balances beginning of year	18 282,885	-	372,969	
Fund balances end of year	\$ 688,499	-	396,845	

See notes to financial statements.

Nonmajor	Total
60,267	1,594,570
-	76,305
110,839	158,502
-	7,821
-	1,132,965
-	164,136
171,106	3,134,299

113,634	1,319,567
-	216,949
-	224,036
113,634	1,760,552

-	60,946
-	86,029
50,733	253,128
-	163,255
-	235,016
50,733	798,374

-	250
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-	123,749
-	12,230
-	-
-	94,776
-	230,755
164,367	2,789,931

6,739	344,368
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-	4,987
-	86,874
-	12,230
-	(12,230)
-	91,861

6,739	436,229
192,512	848,366
199,251	1,284,595

SEYMOUR COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances-total governmental funds (pg. 19) \$ 436,229

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Activities and are allocated over the estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	86,874	
Depreciation expense	<u>(104,034)</u>	(17,160)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (2,735)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds (93,753)

Change in net assets of governmental activities (pg. 14) \$ 322,581

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 33,153
Inventories	921
Capital assets, net of accumulated depreciation	<u>11,977</u>
Total assets	<u>46,051</u>
Liabilities	
Salaries and benefits payable	6,366
Deferred revenue	<u>2,072</u>
Total liabilities	<u>8,438</u>
Net Assets	
Invested in capital assets, net of related debt	11,977
Unrestricted	<u>25,636</u>
Total net assets	<u><u>\$ 37,613</u></u>

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year ended June 30, 2012

	<u>School Nutrition</u>
Operating revenues:	
Local sources	
Charges for service	<u>\$ 45,277</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	48,374
Benefits	7,600
Supplies	68,615
Depreciation	3,324
Total operating expenses	<u>127,913</u>
Operating loss	<u>(82,636)</u>
Non-operating revenues:	
State sources	1,294
Federal sources	87,124
Local sources	535
Total non-operating revenues	<u>88,953</u>
Net income	6,317
Net assets beginning of year	<u>31,296</u>
Net assets end of year	<u><u>\$ 37,613</u></u>

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended June 30, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of meals	\$ 45,524
Cash payments to employees for services	(55,824)
Cash payments to suppliers for goods or services	<u>(59,015)</u>
Net cash used by operating activities	<u>(69,315)</u>
State grants received	1,294
Federal grants received	<u>77,873</u>
Net cash provided by non-capital financing activities	<u>79,167</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(3,450)</u>
Cash flows from investing activities:	
Interest on investments	<u>535</u>
Net increase in cash and cash equivalents	6,937
Cash and cash equivalents at beginning of year	<u>26,216</u>
Cash and cash equivalents at end of year	<u><u>33,153</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(82,636)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Commodities used	9,251
Depreciation	3,324
Decrease in inventory	349
Increase in payables	150
Increase in deferred revenue	<u>247</u>
Net cash used by operating activities	<u><u>(69,315)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received federal commodities valued at \$9,251

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 150,311</u>
Total assets	<u><u>150,311</u></u>
Liabilities	
Accounts payable	-
Total liabilities	<u>-</u>
Net assets	
Reserved for scholarships	<u><u>150,311</u></u>

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
Year Ended June 30, 2012

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Contribution	\$ 1,000	
Interest income	2,998	
Total additions	<u>3,998</u>	
Deductions:		
Instruction:		
Scholarships awarded		<u>11,000</u>
		<u>11,000</u>
Change in net assets		(7,002)
Net assets beginning of year		<u>157,313</u>
Net assets end of year	<u>\$</u>	<u>150,311</u>

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies

Seymour Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Seymour and Promise City, Iowa, and the predominate agricultural territory in Wayne and Appanoose Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Seymour Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Seymour Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's Fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½ % per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$5,000
Buildings	5,000
Improvement other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$28, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail for interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$12,230</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,150	-	-	3,150
Total capital assets not being depreciated	3,150	-	-	3,150
Capital assets being depreciated:				
Buildings	2,013,390	-	-	2,013,390
Improvements other than buildings	-	-	-	-
Furniture and equipment	590,019	86,874	(121,730)	555,163
Total capital assets being depreciated	2,603,409	86,874	(121,730)	2,568,553
Less accumulated depreciation for:				
Buildings	1,177,890	44,925	-	1,222,815
Improvements other than buildings	-	-	-	-
Furniture and equipment	431,894	59,109	(121,730)	369,273
Total accumulated depreciation	1,609,784	104,034	(121,730)	1,592,088
Total capital assets being depreciated, net	993,625	(17,160)	-	976,465
Governmental activities capital assets, net	996,775	(17,160)	-	979,615
Business type activities:				
Furniture and equipment	23,654	3,450	-	27,104
Less accumulated depreciation	11,804	3,323	-	15,127
Business type activities capital assets, net	11,850	127	-	11,977

Depreciation expense was charged to the following functions:

Support services:	
Operation and maintenance	51,800
Transportation	52,234
Total depreciation expense - governmental activities	104,034
Business type activities:	
Food service operations	3,324

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Lease	\$ -	86,874	12,230	74,644	9,246

During the year ended June 30, 2012 the District entered into a capital lease for the purchase of two school buses. The capital lease has an interest rate of 3.99%. The capital lease is payable from the General Fund or the Capital Projects Fund. Details of the capital lease are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$9,246	\$2,984	\$12,230
2014	9,622	2,607	12,229
201	55,776	2,224	58,000
	<u>74,644</u>	<u>7,815</u>	<u>82,459</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement Systems (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$202,424, \$174,236 and \$191,518, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description- The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 26 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statements No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's OPEB obligation:

Annual required contributions	\$18,297
Interest on net OPEB obligation	812
Adjustment to annual required contribution	-
Annual OPEB cost	<u>19,109</u>
Contributions made-implicit	-
Increase in net OPEB obligation	<u>19,109</u>
Net OPEB obligation beginning of year	<u>32,480</u>
Net OPEB obligation end of year	<u>51,589</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$182,041 to the medical plan. Plan members eligible for benefits contributed \$68,064, or 28% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$16,821	8.87%	\$15,329
June 30, 2011	17,151	-	32,480
June 30, 2012	19,109	-	51,589

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$154,789, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$154,789. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,091,000 and the ratio of the UAAL to covered payroll was 14%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2010 actuarial valuation date the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$94,776 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash financial stat

Required Supplementary Information

SEYMOUR COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/ EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 1,829,377	45,812	1,875,189
Intermediate sources	7,821	-	7,821
State sources	1,132,965	1,294	1,134,259
Federal sources	164,136	87,124	251,260
Total revenues	3,134,299	134,230	3,268,529
Expenditures:			
Instruction	1,760,552	-	1,760,552
Support services	798,374	-	798,374
Non-instructional programs	250	127,913	128,163
Other expenditures	230,755	-	230,755
Total expenditures	2,789,931	127,913	2,917,844
Excess (deficiency) of revenues over (under) expenditures	344,368	6,317	350,685
Other financing sources	91,861	-	91,861
Excess (deficiency) of revenues and other financing sources over (under) expenditures	436,229	6,317	442,546
Balances beginning of year	848,366	31,296	879,662
Balances end of year	\$ 1,284,595	37,613	1,322,208

See accompanying independent auditor's report.

Total Actual	Original Budgeted Amount	Final to Actual Variance
1,875,189	1,869,602	5,587
7,821	20,000	(12,179)
1,134,259	1,198,639	(64,380)
251,260	170,000	81,260
3,268,529	3,258,241	10,288
1,760,552	2,157,639	397,087
798,374	1,094,897	296,523
128,163	169,122	40,959
230,755	159,294	(71,461)
2,917,844	3,580,952	663,108
350,685	(322,711)	
91,861	2,500	
442,546	(320,211)	
879,662	508,196	
1,322,208	187,985	

SEYMOUR COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012 expenditures in the other expenditures functions exceeded the amount budgeted.

SEYMOUR COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Funded Ratio	Covered Payroll	UUAL as a Percentage of Covered Payroll
2010	July 1, 2009	-	\$154,789	154,789	0.00%	1,509,968	10.20%
2011	July 1, 2009	-	153,656	153,656	0.00%	1,314,346	11.70%
2012	July 1, 2009	-	153,656	153,656	0.00%		

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

		Special Revenue		
		Management Levy	Student Activity	Total
Assets				
Cash and pooled investments	\$	125,932	67,788	193,720
Receivables:				
Property tax:				
Current year delinquent		1,178	-	1,178
Succeeding year		75,000	-	75,000
Accounts		4,353	-	4,353
Total assets		206,463	67,788	274,251
Liabilities and Fund Balances				
Liabilities:				
Accounts payable		-	-	-
Deferred revenue:				
Succeeding year property tax		75,000	-	75,000
Total liabilities		75,000	-	75,000
Fund Balances:				
Restricted:				
Management levy purposes		131,463	-	131,463
Student activities		-	67,788	67,788
Total liabilities and fund balances	\$	206,463	67,788	274,251

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	Special Revenue		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 60,267	-	60,267
Other	9,543	101,296	110,839
State sources		-	-
Total revenues	69,810	101,296	171,106
Expenditures:			
Current			
Instruction:			
Other instruction	8,235	105,399	113,634
Support services:			
Administrative support	50,733	-	50,733
Plant operation	-	-	-
Student transportation	-	-	-
Other expenditures:			
Facilities acquisition	-	-	-
Total expenditures	58,968	105,399	164,367
Excess (deficiency) of revenues over (under) expenditures	10,842	(4,103)	6,739
Fund balances beginning of year	120,621	71,891	192,512
Fund balances at end of year	\$ 131,463	67,788	199,251

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
Year Ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 321,935	\$ 14,806	\$ 336,741
Receivables:			
Property tax:			
Delinquent	-	556	556
Succeeding year	-	27,871	27,871
Due from other governments	60,342	-	60,342
Total Assets	382,277	43,233	425,510
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	-	794	794
Deferred revenue:			
Succeeding year property tax	-	27,871	27,871
Total liabilities	-	28,665	28,665
Fund Balances:			
Restricted for:			
School infrastructure	382,277	-	382,277
Physical plant and equipment	-	14,568	14,568
Total fund balances	382,277	14,568	396,845
Total liabilities and fund balances	382,277	43,233	425,510

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECT ACCOUNTS
Year Ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 172,794	\$ 28,426	\$ 201,220
Other	6,364	449	6,813
Total revenues	179,158	28,875	208,033
Expenditures:			
Instruction:			
Other instruction	31,732	15,946	47,678
Support services:			
Plant operation	-	500	500
Student transportation	86,874	-	86,874
Other expenditures:			
Facilities acquisition	121,295	2,454	123,749
Total expenditures	239,901	18,900	258,801
Excess (deficiency) of revenue over (under) expenditures	(60,743)	9,975	(50,768)
Other financing sources (uses):			
Capital lease issued	86,874	-	86,874
Operating transfer out	(12,230)	-	(12,230)
Total other financing sources (uses)	74,644	-	74,644
Excess of revenues and other financing sources over (under) expenditures and other financial uses	13,901	9,975	23,876
Fund balances beginning of year	368,376	4,593	372,969
Fund balances end of year	382,277	14,568	396,845

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year ended June 30, 2012

Account	Balance Beginning Of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 11,694	37,032	41,344	7,382
FFA	16,171	28,237	26,912	17,496
FCCLA	384	767	529	622
General	19,844	11,756	19,307	12,293
Vocal Music	4,266	317	376	4,207
Band	71	9,361	834	8,598
Student Council	-	472	-	472
Cheerleaders	1,599	1,872	2,121	1,350
S Club	4,133	1,655	2,036	3,752
Post Prom	1,977	3,405	3,322	2,060
Speech	1,901	164	166	1,899
Wayne County Coalition	616	-	20	596
Class of 2011	537		537	-
Class of 2012	3,315	695	3,739	271
Class of 2013	3,812	3,692	3,998	3,506
Class of 2014	1,121	1,545	158	2,508
Class of 2015	450	326	-	776
Totals	\$ 71,891	101,296	105,399	67,788

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 1,594,570	\$ 1,501,658	\$ 1,360,440	\$ 1,305,467
Tuition	76,305	90,953	147,478	117,318
Other	158,502	199,187	150,123	101,399
Intermediate sources	7,821	3,974	9,195	21,552
State sources	1,132,965	1,055,472	859,634	1,336,590
Federal sources	164,136	229,528	341,684	183,211
Total	3,134,299	3,080,772	2,868,554	3,065,537
Expenditures:				
Instruction:				
Regular	1,319,567	1,182,977	1,260,701	1,370,591
Special	216,949	223,921	277,296	204,556
Other	224,036	286,670	362,083	339,650
Support services:				
Student	60,946	64,594	84,913	74,446
Instructional staff	86,029	97,042	66,480	61,235
Administration	253,128	281,222	356,514	346,908
Operation and maintenance of plant	163,255	197,746	204,391	215,003
Transportation	235,016	185,892	220,629	149,087
Central support	-	-	-	-
Non-instructional programs	250	250	250	250
Other expenditures:				
Facilities acquisition	123,749	30,033	47,898	45,310
Long-term debt:				
Principal	12,230	85,000	80,000	80,000
Interest and other charges	-	4,700	8,570	12,490
AEA flowthrough	94,776	108,278	108,129	102,462
Total	\$ 2,789,931	\$ 2,748,325	\$ 3,077,854	3,001,988

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
\$ 1,286,880	\$ 1,237,767	\$ 1,184,489	\$ 1,110,940	\$ 1,035,494	\$ 1,019,698
44,756	29,586	33,187	32,188	40,056	46,380
135,171	142,413	133,087	117,182	103,548	104,691
20,805	20,976	7,820	9,730	21,822	12,326
1,465,071	1,501,281	1,523,719	1,428,263	1,390,765	1,400,576
185,390	218,008	303,515	284,052	313,005	148,073
3,138,073	3,150,031	3,185,817	2,982,355	2,904,690	2,731,744

1,296,284	\$ 1,268,925	1,159,129	1,128,622	1,151,953	1,040,568
299,415	449,514	390,671	491,148	401,814	345,430
340,389	238,683	348,390	337,582	334,113	328,218
88,547	87,398	90,296	89,263	92,139	85,524
61,104	91,178	128,391	115,260	123,041	88,722
338,057	318,580	330,017	316,867	307,751	257,675
214,098	235,286	318,076	211,133	187,098	189,539
230,251	214,637	209,847	212,484	151,336	215,467
-	-	-	519	778	45,355
250	250	250	-	-	-
69,468	-	-	-	-	-
75,000	70,000	65,000	65,000	60,000	60,000
16,090	19,380	22,381	25,295	27,805	30,415
101,679	101,544	99,068	99,994	99,668	106,278
3,130,632	3,095,375	3,161,516	3,093,167	2,937,496	2,793,191

Stephanie Mendenhall CPA, P.C.
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Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Seymour Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Seymour Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 19, 2012, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Seymour Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Seymour Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Seymour Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seymour Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Seymour Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit Seymour Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Seymour Community School District and other parties to whom Seymour Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Seymour Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

September 19, 2012

SEYMOUR COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable since less than \$500,000 in federal awards.

Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 exceeded the budget in the other expenditures function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended to assure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-12 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-12 Business Transactions – No business transactions were noted between the District and District officials or employees.

- IV-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-12 Board Minutes – No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-12 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-12 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-12 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$368,377
Statewide sales, services and use tax		172,794
Other receipts		6,364
Expenditures/transfers out:		
School infrastructure:		
Buildings	\$121,295	
Instruction equipment	31,733	
Debt service		
Capital lease for transportation equipment	<u>12,230</u>	
		<u>(165,258)</u>
Ending balance		<u>382,277</u>

For the year ended June 30, 2012 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-12 Student Activity Receipts – For several years, grants have been received from Wayne County Coalition to be used to introduce nutritional eating ideas into the curriculum.

Recommendation – The money was not co-curricular in nature and should be deposited into the General Fund or Nutrition Fund.

Response – We will take under advisement.

Conclusion – This has been the response of the District for several years.

IV-N-12 Free and Reduced Price Meal Application – One application was approved for reduced price meals. The reported income exceeded income guidelines and the application should have been denied.

Recommendation – All applications need to be properly reviewed before being approved.

Response – We believe this to be an isolated instance, we will take greater care to ensure that all applications are correctly approved or denied.

Conclusion – Response accepted.